



# ECONOMIC INDICATORS

JULY - AUGUST 2000

## REVIEW OF RECENT ECONOMIC DEVELOPMENTS

### EMPLOYMENT

**G**rowth in the California economy continues to outpace the robust national performance. Employment growth remains strong. Construction is growing, real estate demand is strong and exports are expanding.

California's job market is strong, registering large gains in most key measures including the civilian labor force, civilian employment and private nonagricultural wage and salary jobs. Each of these measures is much stronger than for the nation as a whole. In June, weak industry employment growth was principally the result of a reduction of temporary census-related federal jobs. A rise in the unemployment rate is largely explained by increased labor force participation and rapid growth in the working-age population.

#### STRONG PRIVATE INDUSTRY GROWTH

— . . . —

Nonfarm employment—based on a large survey of employers—grew by only 14,100 jobs in June, but that figure exceeded the nation's industry employment growth of 11,000. Both state and national employment figures were affected by the winding down of Census 2000 activity. Federal government employment in California was reduced by 34,200 in June. In contrast, total private industry employment increased by a sizable 51,500. California's private sector employment gains accounted for more than 25 percent of private sector gains nationwide.

#### MOTION PICTURE HIRING JUMPS

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Services employment jumped over 36,000 in June, the largest month-to-month increase since January 1998 and one of the largest on record. Business services added the most jobs with a 12,400 gain. A speed up of motion picture production, partly in anticipation of next year's actor and writer union contract negotiations, boosted motion picture employment by 12,200 jobs.

Construction continued to grow rapidly in June, adding 5,900 jobs.

Manufacturing employment was nearly static in June with a 100 job gain. Durable manufacturing employment advances—led by a 1,000 job gain in instruments and electronics—slightly outweighed nondurable losses. June's 1,100 nondurable job losses were led by printing, paper and food processing reductions.

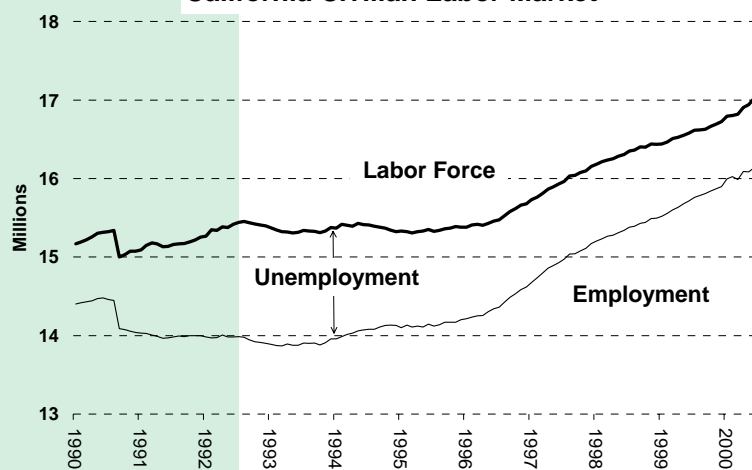
#### INDUSTRY EMPLOYMENT GROWS 3.2 PERCENT OVER THE YEAR

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On a year-over-year basis, nonfarm employment grew 3.2 percent in June reflecting the addition of over 450,000 jobs. Construction continues to be the fastest growing industry, expanding 8.7 percent over the year. Services added the most jobs, 188,300, led by business services which grew 6.9 percent. Manufacturing employment added 1,700 additional jobs, bucking the national trend of declining factory employment.

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## California Civilian Labor Market



Strong growth in food processing, furniture and fixtures, fabricated metals, and wood products was partly offset by losses in transportation equipment (aerospace) and industrial machinery.

A rise in the state's unemployment rate in June belies the generally good employment situation in California. The unemployment rate—which is estimated from a relatively small survey of households—rose to 5.2 percent from May's revised 5.1 percent. The jobless rate one year ago was 5.2 percent. The June increase reflects an unusually large gain in the civilian labor force—the number of people working or looking for work—that outstripped an impressive gain in civilian employment. The labor force expanded by over 79,400 jobs, while employment grew by 54,800.

**NEW WORKERS  
BOOST  
UNEMPLOYMENT  
RATE**

## California Unemployment by Reason

	June 1999	June 2000	Change
<b>Unemployment</b>	<b>867,700</b>	<b>884,100</b>	<b>16,400</b>
Job Losers	424,305	404,034	-20,272
Job Leavers	80,696	93,715	13,019
Re-entrants	289,812	297,058	7,246
New Entrants	72,887	88,410	15,523

Additionally, the nature of the unemployed work force, although up by 16,400 over the year, has some positive characteristics. The number of job losers—persons who involuntarily lost their jobs—has declined. Conversely, job leavers—persons who voluntarily left their jobs—and new entrants to the work force have both increased. This is characteristic of a tight and expanding labor market in which

greater opportunities are drawing more people into the workforce and which gives employed workers confidence that if they leave their jobs they can easily find new, and possibly better opportunities.

Even though the June national unemployment rate—at 4.0 percent—was lower than California's, the nation's employment growth rate over the year was less than half of California's—1.3 percent nationally versus 2.7 percent for the state. The national labor force growth rate was also much slower than the state's—1.0 percent versus 2.7 percent.

**REAL  
ESTATE**

**LIMITED SUPPLY BOOSTS  
HOME PRICES**

Vigorous demand for homes is being sustained by robust consumer confidence that continues to overwhelm the damping effect of rising mortgage interest rates. The limited supply of homes offered for sale is yielding steadily increasing resale prices throughout the state. In June, sales of existing, single-family detached homes in California reached 562,380 at a seasonally-adjusted annual rate, up only 0.4 percent from the 559,920 sales rate reached in June 1999. In contrast, the median price of an existing single-family house in California rose 8.7 percent on a year-over-year basis to \$244,230.

Worsening home affordability—most notably in the San Francisco Bay Area—may be beginning to dampen the state's residential real estate market. The state's affordability index—the percentage of households that can afford to purchase a median-priced home in California—fell to 29 percent in May, down 8 percentage points from May 1999, according to the California Association of Realtors. Over the same period, the national rate has fallen only 4 percentage points to 52 percent. The least affordable county in California is San Francisco, followed by Contra Costa and San Mateo.

**BUILDING  
ACTIVITY**

Multifamily residential construction exploded in June. A backlog of major multifamily building projects moved through the permit process in June. Over half of the June permits represented large multifamily complexes in the cities of Irvine, San Jose, and San Diego. In these areas, and several others across the state, residential construction has not kept up with strong job creation, leading to skyrocketing home prices and apartment rents. The June surge, coupled with strong activity earlier in the year, is a welcome step toward redressing this supply/demand imbalance.

**California Construction Permits**

	<u>June 1999</u>	<u>June 2000</u>	<u>Year Over Change</u>
Housing Units Authorized*	150.1	188.2	25.4%
Multifamily	37.7	92.7	146.1%
Single Family	112.4	95.5	-15.1%
Construction Valuation**	3,898.3	3,814.4	-2.2%
Residential	2,477.2	2,445.3	-1.3%
Nonresidential	1,421.0	1,369.1	-3.7%

\* Seasonally adjusted annual rates, 1,000s of units

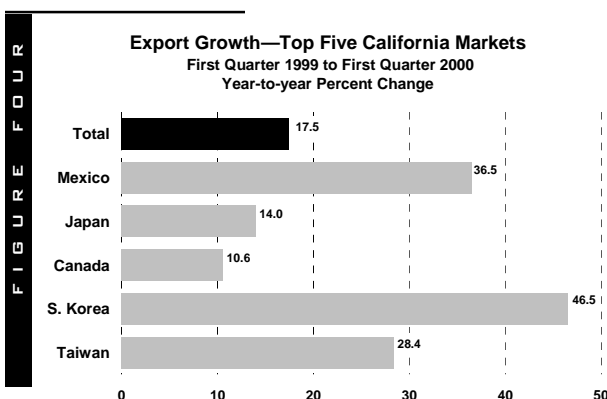
\*\* Seasonally Adjusted, \$1,000,000s

Statewide, total residential construction, measured by permitted units, increased 25 percent over the year, to a seasonally adjusted annual rate of 188,200 units. Multifamily unit permits jumped 146 percent, while single family permits were down 15 percent. Through the first half of 2000, housing permits are up over 7 percent from comparable year-ago levels.

Following strong performance in May, nonresidential construction—measured by permitted value—dipped 3.7 percent on a June-to-June comparison, but is still up over 8 percent year to date.

**TRADE**

Recovery in electronics manufacturing reflects to a considerable degree a dramatic turnaround in California-made exports. Following a gain of nearly 10 percent in the second half of 1999, exports surged by 17.5 percent in the first quarter of 2000 over the comparable year-earlier figure. Each of the state's top five export customers posted double-digit gains, led by South Korea's 46.5 percent jump. Sales to Mexico—California's largest market—soared more than 36 percent, and even Japan posted an increase of 14 percent, following more than two years of decline.

**PERSONAL INCOME REVISIONS**

In October 1999, the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) released a "Comprehensive Revision" of the National Income and Product accounts and recently released the state income estimates that reflect this revision. Overall, the changes led to higher personal income estimates for California—the 1997 total was raised 2 percent. Personal income growth in 1997 was revised up 0.2 percent.

Personal income is the earnings received by all persons from:

- Employment (wages and benefits net of Social Security payroll taxes),
- Property income (dividends, interest and rent),
- Proprietors' income (individual and partnership business income), and
- Public and private transfer payments, (Social Security, welfare, Medicare, MediCal, etc. from the public sector, and household credit losses from the private sector).

Personal income differs from "cash" income in that it:

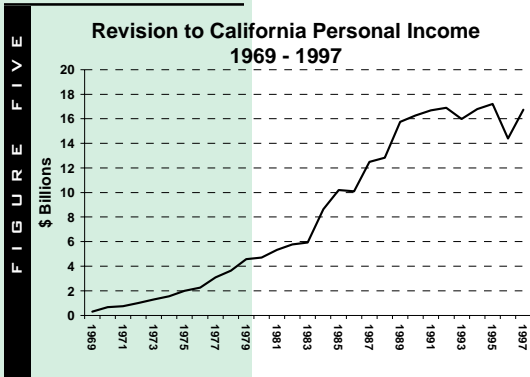
- Includes several non-monetary income items such as employee health insurance benefits and employer contributions to pension funds,
- Includes "imputed" rent of owner-occupied housing and imputed interest on bank accounts and life insurance policies,

↗ Excludes capital gains (because gains do not represent current production), and

↗ Excludes payouts from all pension plans, including IRA, 401k and traditional pension plans. As explained below, this represents a change in the treatment of government pension payouts.

## DATA REVISIONS

In addition to the normal annual data revisions, incorporating more complete information from annual surveys, the Business Censuses, and tax returns, BEA also made some significant definitional and conceptual changes in the accounts.



The most significant conceptual change was to make the treatment of government pensions consistent with private pensions. In the old series government pension payouts were treated as government transfer payments; employer contributions were ignored; and employee contributions to the plans counted as contributions for social insurance, which are subtracted from wages and salaries when calculating total personal income. In the new series, government pension payouts are no longer counted in transfer payments and are no longer a part of total personal income. Instead, pension fund earnings are credited to property income on an as received basis. Employer contributions are added to other labor income (employee benefits), but employee contributions are no longer included in the deduction for social insurance

Another significant revision was the removal of estate taxes from personal tax and nontax payments. They are now considered a "transfer of capital" from the household to the government sector, and are no longer deducted from personal income in calculating disposable income. This has the effect of lowering the effective tax rate and raising disposable income relative to personal income.

Historical California personal income estimates from 1969 to 1997 were revised upward by an average of \$8.4 billion, or 1.8 percent. However the most significant revisions were made to the latest years—averaging about \$16.4 billion annually from 1990 to 1997.

The latest year for which comparable old and revised income estimates are available is 1997, which provides the clearest picture of the effects of this conceptual revision. Total personal income was revised up by \$16.7 billion—or 2.0 percent. The revisions clearly reflect the modified treatment of government pensions. Transfer payments and contributions to social insurance were both reduced. Conversely, property income (dividends, interest and rent) and other labor income (employer-paid benefits such as pension fund contributions and health insurance) were revised upward. The net effect of these revisions accounts for \$7.7 billion—or nearly half—of the increase in total personal income.

The largest revision not connected to the conceptual changes described above was

## CALIFORNIA PERSONAL INCOME

CALIFORNIA PERSONAL  
INCOME REVISED UP  
TWO PERCENT

INCOME GROWTH  
RATE INCREASED

**FIGURE SIX**

### 1997 California Personal Income May 2000 Revision

	Total \$Billions	Revision \$Billions %	
Total Personal Income	862.8	16.7	2.0
Total Wages and Salaries	475.8	0.6	0.1
Other Labor Income	58.9	12.1	25.9
Proprietors' Income	93.0	7.5	8.8
Farm	4.5	1.5	49.2
Non-Farm	88.6	6.0	7.3
Dividends, Interest, & Rent	164.7	12.5	8.2
Transfer Payments	106.6	(21.4)	(16.7)
Contributions for Social Ins.	36.4	(4.4)	(10.9)
Residence Adjustment	0.1	1.0	NA

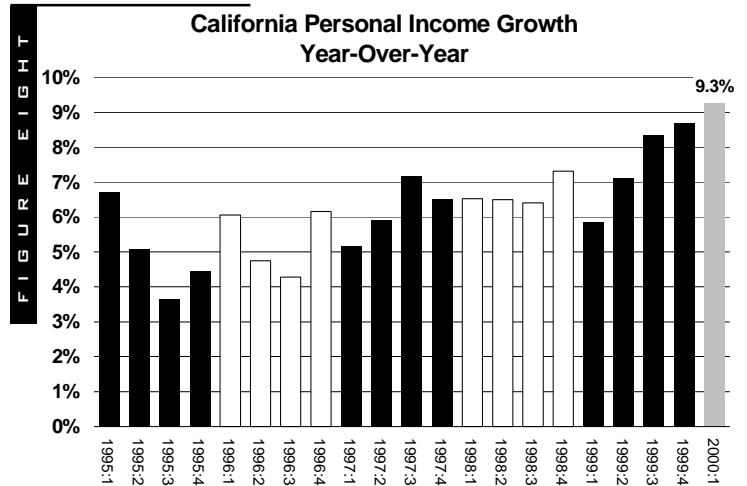
**FIGURE SEVEN**

### 1997 California Personal Income Growth Old vs. Revised Estimates Year-Over-Year Percent Growth

	Old	Revised	Change
Total Personal Income	6.02	6.20	0.18
Total Wages and Salaries	7.86	8.01	0.15
Other Labor Income	1.99	2.15	0.16
Proprietors' Income	5.33	8.30	2.97
Farm	(9.51)	18.00	27.50
Non-Farm	5.95	7.85	1.90
Dividends, Interest, & Rent	4.87	5.29	0.41
Transfer Payments	2.75	0.32	(2.43)
Contributions for Social Ins.	5.88	5.47	(0.41)
Residence Adjustment	13.01	(22.36)	(35.37)

\$7.5 billion, or 7.3 percent increase in nonfarm proprietors' income. In contrast, wages and salaries were virtually unchanged by the revision. The growth of personal income in 1997 was revised upward by nearly 0.2 percent overall—largely reflecting the change to the other labor income, proprietors' and property income components.

First quarter 2000 California personal income is estimated at an annual rate of \$1,038.9 billion, which is a 9.3 percent increase over four quarters earlier. This annual growth rate is nearly 2 percentage points higher than the full-year growth rate for 1999 of 7.5 percent.



Wages and salaries grew by 11.0 percent, led by significant leaps in wages in the construction and transportation, communications and utilities sectors. Services income also achieved notable growth in excess of 13 percent. Other labor income grew 9.8 percent, significantly faster than the 1999 full-year growth rate. Nonfarm proprietor's income advanced 12.6 percent, over 2 percentage points greater than the 1999 full-year annual increase. Property income growth also accelerated, principally from rising interest rates, which spurred faster interest income growth over 1999.

FIGURE NINE

**California Personal Income  
First Quarter 1999 to 2000**

	\$ Billions		Pct.
	1999 Q1	2000 Q1	Change
<b>TOTAL PERSONAL INCOME</b>	<b>950.8</b>	<b>1,038.9</b>	<b>9.3%</b>
<b>WAGES AND SALARIES</b>	<b>535.6</b>	<b>594.3</b>	<b>11.0%</b>
Farm	3.9	4.2	7.0%
Mining	1.6	1.6	-2.4%
Construction	25.5	29.8	17.0%
Manufacturing	88.9	99.6	12.0%
TCU	30.9	35.8	16.0%
Trade	83.8	92.2	10.1%
Finance, Insurance, & Real Estate	46.9	50.4	7.4%
Services	161.9	183.2	13.2%
Government	87.2	91.5	5.0%
Federal Civilian	11.5	11.9	3.3%
Military	5.6	5.5	-1.1%
State and Local	70.1	74.1	5.8%
Other Industries	5.0	6.0	20.0%
<b>OTHER LABOR INCOME</b>	<b>63.5</b>	<b>69.7</b>	<b>9.8%</b>
<b>PROPRIETORS' INCOME</b>	<b>102.5</b>	<b>114.9</b>	<b>12.0%</b>
Farm	3.7	3.6	-2.9%
Nonfarm	98.8	111.3	12.6%
<b>PROPERTY INCOME</b>	<b>178.4</b>	<b>190.9</b>	<b>7.0%</b>
Dividends	42.5	45.4	6.6%
Interest	106.9	116.5	9.0%
Monetary	61.0	66.5	9.0%
Rent	29.0	29.0	0.2%
<b>TRANSFER PAYMENTS</b>	<b>111.0</b>	<b>113.3</b>	<b>2.0%</b>
<b>LESS: CONTRIBUTIONS FOR SOCIAL INSURANCE</b>	<b>40.3</b>	<b>44.3</b>	<b>10.0%</b>
<b>PLUS: RESIDENCE ADJUSTMENT</b>	<b>0.1</b>	<b>0.2</b>	<b>11.7%</b>

# SELECT INDICATORS

## EMPLOYMENT

	2000				1999	Yr-Over-Yr % Change
	Jun	May	Apr	Mar	Jun	
<b>EMPLOYMENT (Seasonally adjusted)</b>						
Civilian employment (000)	16,138	16,084	16,090	15,987	15,713	2.7
Unemployment (000)	884	860	817	833	868	1.8
Unemployment rate	5.2	5.1	4.8	5.0	5.2	--
Nonagricultural wage and salary employment (000)	14,398.5	14,384.4	14,330.7	14,270.1	13,948.3	3.2
Mining	23.1	23.7	23.7	23.5	23.3	-0.9
Construction	735.0	729.1	729.0	716.1	676.2	8.7
Manufacturing	1,924.6	1,924.5	1,923.6	1,920.0	1,922.9	0.1
High technology a/	497.9	496.7	496.7	497.7	514.5	-3.2
Aircraft and parts	76.8	77.5	77.8	78.9	85.4	-10.1
Missiles and space vehicles	20.6	20.9	21.0	21.3	23.2	-11.2
Search and navigation equipment	51.0	50.8	50.9	51.2	53.6	-4.9
Computer and office equipment	92.6	92.4	92.9	92.0	98.0	-5.5
Communications equipment	39.2	38.9	38.9	38.8	40.0	-2.0
Electronic components	154.3	153.4	152.9	152.3	152.3	1.3
Measuring and controlling devices	63.4	62.8	62.3	63.2	62.0	2.3
Transportation and public utilities	747.0	745.5	741.3	739.4	718.0	4.0
Trade	3,271.2	3,263.5	3,264.5	3,246.9	3,187.8	2.6
Finance, insurance and real estate	829.9	829.1	829.6	829.5	819.9	1.2
Services	4,558.2	4,522.1	4,514.3	4,500.6	4,369.9	4.3
Government	2,309.5	2,346.9	2,304.7	2,294.1	2,230.3	3.6

## HOURS & EARNINGS

<b>HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)</b>						
Average weekly hours	41.5	41.4	41.6	41.3	41.9	-1.0
Average weekly earnings	\$588.89	\$584.98	\$586.98	\$581.09	\$582.83	1.0
Average hourly earnings	\$14.19	\$14.13	\$14.11	\$14.07	\$13.91	2.0

## CONSUMER PRICES

<b>CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)</b>						
All Urban Consumers Series						
California Average	173.9	n.a.	173.6	n.a.	167.8	3.6
San Francisco CMSA	179.0	n.a.	178.6	n.a.	171.8	4.2
Los Angeles CMSA	170.9	171.1	170.6	170.6	165.4	3.3
Urban Wage Earners and Clerical Workers Series						
California Average	167.4	n.a.	167.0	n.a.	161.6	3.6
San Francisco CMSA	175.2	n.a.	174.8	n.a.	168.3	4.1
Los Angeles CMSA	164.2	164.4	163.9	163.9	158.9	3.3

## CONSTRUCTION

<b>CONSTRUCTION</b>						
Private residential housing units authorized (000) b/	188.2	128.3	135.5	158.6	150.1	25.4
Single units	95.5	101.0	113.0	104.9	112.4	-15.1
Multiple units	92.7	27.3	22.5	53.7	37.7	146.1
Residential building authorized valuation (millions) c/	\$2,445	\$2,348	\$2,115	\$2,421	\$2,477	-1.3
Nonresidential building authorized valuation (millions) c/	\$1,369	\$1,618	\$1,244	\$1,456	\$1,421	-3.7
Nonresidential building authorized valuation (millions) d/	\$1,602	\$1,686	\$1,313	\$1,539	\$1,656	-3.3
Commercial	605	634	389	513	672	-10.0
Industrial	165	201	197	169	186	-11.3
Other	186	245	147	193	229	-18.7
Alterations and additions	646	605	580	663	569	13.5

## AUTO SALES

<b>AUTO SALES (Seasonally adjusted)</b>						
New auto registrations (number)	n.a.	152,520	142,061	150,284	130,875	--

a/ Based on the 1987 SIC codes. These values are not seasonally adjusted.

b/ Seasonally adjusted at annual rate

c/ Seasonally adjusted

d/ Not seasonally adjusted

n.a. Not available

# SELECT INDICATORS (CONTINUED)

## VACANCY RATES

### Vacancy Rates for First Quarter 2000 (Percent)

	Office			Industrial
	Total	Downtown	Suburban	
Northern and Central California:				
Fresno	n.a.	n.a.	n.a.	n.a.
Oakland-East Bay	4.5	6.3	4.0	--
Sacramento	7.7	6.3	8.1	8.6
San Francisco	0.7	0.9	0.4	5.3
San Jose	1.2	0.9	1.3	--
Southern California:				
Bakersfield	21.9	12.5	26.9	--
Los Angeles Metro	12.0	18.6	10.5	7.1
Orange County	10.5	--	10.5	--
San Diego	8.1	8.8	7.9	5.9
Ventura County	n.a.	--	14.0	--
National Average	9.0	7.4	9.9	7.8

### Median Price of Existing Single-Family Homes

1999				2000	
Jan	\$202,201	Jul	221,370	Jan	\$233,947
Feb	197,870	Aug	222,950	Feb	231,706
Mar	212,330	Sep	220,330	Mar	238,870
Apr	216,490	Oct	219,140	Apr	240,950
May	220,410	Nov	221,890	May	240,910
Jun	226,140	Dec	221,500		

n.a. Data not available at time of publication.

## HOME PRICES

# LEADING INDICATORS/A

		Manufacturing Overtime Hours	Average Weekly Hours	Unemployment Insurance Initial Claims	New Business Incorporations	Housing Unit Authorizations (Thousands)
1997	Jan	4.7	41.4	66,020	4,712	92.9
	Feb	4.8	41.8	56,117	4,358	124.2
	Mar	5.1	42.1	58,765	3,571	94.5
	Apr	5.0	41.9	60,178	3,908	103.3
	May	5.0	41.8	59,332	4,500	108.8
	Jun	4.9	41.7	63,601	4,383	108.7
	Jul	4.9	41.8	61,923	4,750	114.1
	Aug	5.1	42.0	63,215	4,236	114.0
	Sep	5.0	42.1	64,015	4,742	118.2
	Oct	5.0	42.0	61,550	4,745	131.4
	Nov	5.0	42.2	57,984	4,439	115.4
	Dec	5.1	42.2	59,066	4,824	109.3
1998	Jan	5.1	42.0	56,203	4,716	113.1
	Feb	5.0	41.9	59,940	4,559	116.2
	Mar	4.9	41.8	58,820	4,598	119.1
	Apr	4.5	41.1	58,157	5,009	116.1
	May	4.7	41.8	58,924	4,540	119.5
	Jun	4.8	41.9	54,258	4,718	148.3
	Jul	4.8	42.0	54,260	4,845	120.1
	Aug	4.6	41.8	52,863	4,405	135.8
	Sep	4.5	41.6	50,654	3,722	121.9
	Oct	4.7	41.8	53,019	4,722	132.8
	Nov	4.6	41.7	54,254	4,778	136.9
	Dec	4.6	41.8	54,316	4,605	129.5
1999	Jan	4.6	42.0	51,980	4,942	151.2
	Feb	4.7	41.9	52,386	5,047	140.4
	Mar	4.7	41.9	53,251	6,016	139.1
	Apr	4.7	41.9	53,415	5,011	138.4
	May	4.8	41.9	50,463	5,364	137.7
	Jun	4.7	41.9	51,412	5,528	150.1
	Jul	4.6	41.8	51,272	5,300	143.0
	Aug	4.6	41.6	51,151	5,890	136.8
	Sep	4.6	41.5	49,985	5,781	127.0
	Oct	4.8	41.6	49,621	5,685	128.0
	Nov	4.8	41.5	51,198	6,098	143.7
	Dec	4.8	41.5	45,432	6,470	145.2
2000	Jan	4.9	41.4	50,599	6,530	168.3
	Feb	4.9	41.3	48,720	6,769	159.8
	Mar	4.9	41.3	47,543	8,319	158.6
	Apr	5.2	41.9	45,925	7,465	135.5
	May	5.0	41.5	47,972	6,824	128.3
	Jun	5.1	41.5	49,091	7,218	188.2

a/ Seasonally adjusted by the California Department of Finance.

# COINCIDENT INDICATORS/<sup>a</sup>

## EMPLOYMENT, UNEMPLOYMENT

— . . . —

		<b>Nonagricultural Employment (Thousands)</b>	<b>Manufacturing Employment (Thousands)</b>	<b>Unemployment Rate (Percent)</b>	<b>Unemployment Avg. Weeks Claimed (Thousands)</b>
1997	Jan	12,903	1,878	6.7	444
	Feb	12,968	1,887	6.5	410
	Mar	13,017	1,895	6.4	374
	Apr	13,080	1,899	6.4	397
	May	13,096	1,905	6.3	367
	Jun	13,129	1,913	6.3	379
	Jul	13,158	1,920	6.2	396
	Aug	13,176	1,923	6.2	374
	Sep	13,220	1,927	6.2	382
	Oct	13,253	1,933	6.2	386
	Nov	13,263	1,942	6.1	374
	Dec	13,332	1,952	6.1	401
1998	Jan	13,405	1,954	6.0	337
	Feb	13,428	1,957	6.1	362
	Mar	13,454	1,960	6.0	364
	Apr	13,495	1,960	6.0	366
	May	13,537	1,965	6.0	356
	Jun	13,578	1,962	5.9	352
	Jul	13,604	1,946	5.9	351
	Aug	13,649	1,945	5.9	358
	Sep	13,705	1,953	5.9	354
	Oct	13,728	1,944	5.8	334
	Nov	13,768	1,937	5.8	354
	Dec	13,801	1,933	5.7	371
1999	Jan	13,786	1,925	5.6	356
	Feb	13,827	1,923	5.5	366
	Mar	13,856	1,924	5.5	369
	Apr	13,900	1,925	5.4	363
	May	13,925	1,924	5.3	377
	Jun	13,948	1,923	5.2	376
	Jul	14,002	1,922	5.1	350
	Aug	14,033	1,923	5.0	358
	Sep	14,064	1,927	5.0	364
	Oct	14,084	1,924	5.0	344
	Nov	14,121	1,923	4.9	348
	Dec	14,171	1,925	5.0	341
2000	Jan	14,212	1,921	4.8	357
	Feb	14,253	1,922	4.6	345
	Mar	14,270	1,920	5.0	345
	Apr	14,331	1,924	4.8	335
	May	14,384	1,925	5.1	333
	Jun	14,399	1,925	5.2	333

## INCOME, WAGES, TAXABLE SALES

— . . . —

		<b>Personal Income (\$ millions)</b>	<b>Wages &amp; Salaries from Mining, Construction and Manufacturing (\$ millions)</b>	<b>Taxable Sales (\$ millions)</b>
1995	Qtr I	756,093	85,169	72,857
	Qtr II	770,213	86,494	74,983
	Qtr III	777,974	87,800	75,964
	Qtr IV	781,601	88,764	76,901
1996	Qtr I	801,897	93,871	79,237
	Qtr II	806,756	91,200	80,184
	Qtr III	811,257	90,351	80,345
	Qtr IV	829,707	94,874	81,202
1997	Qtr I	843,354	100,334	83,079
	Qtr II	854,511	102,253	84,942
	Qtr III	869,395	104,353	85,985
	Qtr IV	883,763	105,144	87,745
1998	Qtr I	898,326	108,238	87,561
	Qtr II	909,999	111,292	89,118
	Qtr III	925,083	112,773	90,731
	Qtr IV	948,401	117,229	91,222
1999	Qtr I	950,840	116,005	94,066
	Qtr II	974,774	120,317	97,118
	Qtr III	1,002,365	127,169	99,747
	Qtr IV	1,030,847	131,018	100,952
2000	Qtr I	1,038,891	130,983	106,687

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.

## OTHER INDICATORS

### DOD Prime Contracts a/

	\$ millions	% of U.S.		\$ millions	% of U.S.
1981-82	22,685	21.8	1990-91	24,265	19.5
1982-83	26,387	22.2	1991-92	23,843	21.2
1983-84	28,520	23.0	1992-93	22,952	20.1
1984-85	29,115	20.8	1993-94	22,573	20.5
1985-86	27,738	20.4	1994-95	18,277	16.8
1986-87	24,515	18.4	1995-96	18,230	16.7
1987-88	23,458	18.7	1996-97	18,477	17.3
1988-89	23,125	19.3	1997-98	17,401	15.9
1989-90	22,312	18.4	1998-99	17,372	15.1

### Foreign Trade through California Ports

	\$ millions		\$ millions
<u>1999</u>		<u>2000</u>	
Jan	23,484	Jan	27,067
Feb	23,751	Feb	27,883
Mar	26,988	Mar	31,957
Apr	25,670	Apr	31,128
May	25,717	May	30,898
Jun	27,897		
Jul	27,901		
Aug	28,956		
Sep	29,764		
Oct	30,408		
Nov	30,131		
Dec	30,252		

a/ U.S. fiscal year: October through September

## TECHNICAL NOTE

## ECONOMIC INDICATOR CHARTS

**S**eries classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

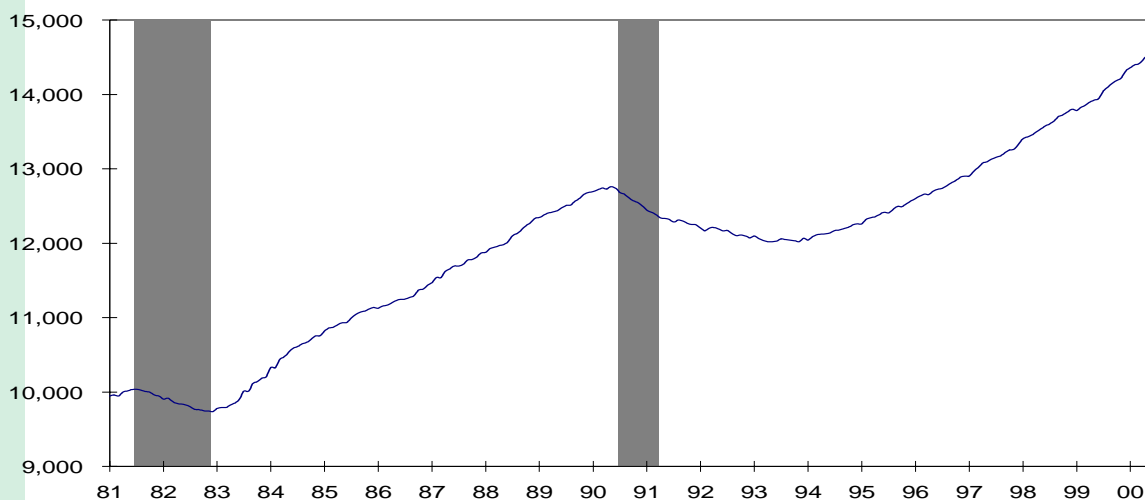
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, *The X-11 Arima Seasonal Adjustment Method* (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to “freeze” the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

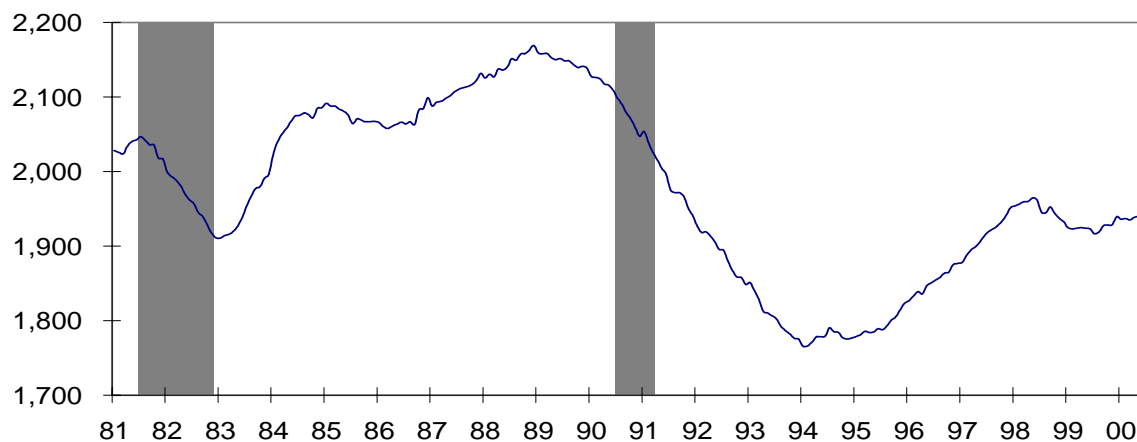
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

## NONAGRICULTURAL EMPLOYMENT (THOUSANDS, SEASONALLY ADJUSTED)



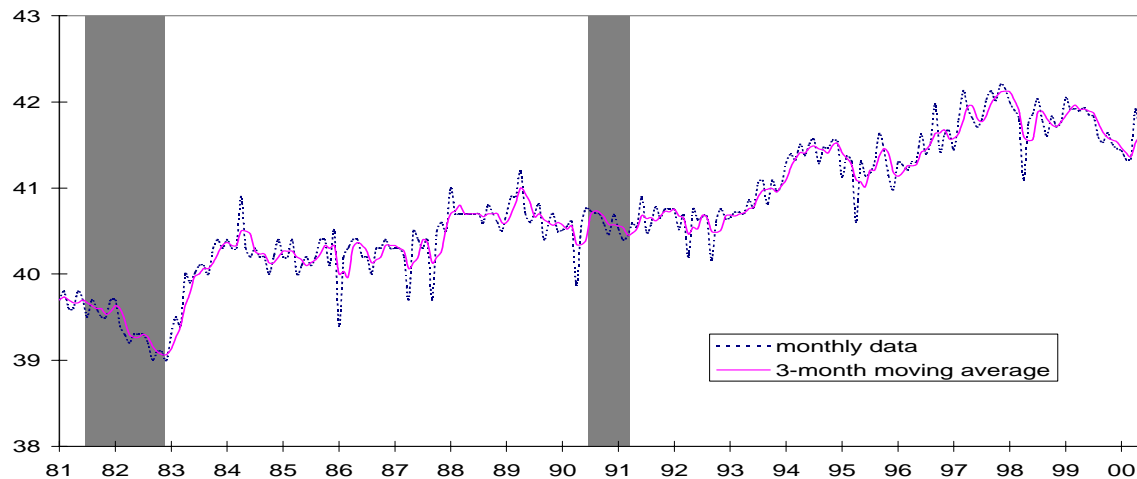
# MANUFACTURING EMPLOYMENT (THOUSANDS, SEASONALLY ADJUSTED)

— . . . —



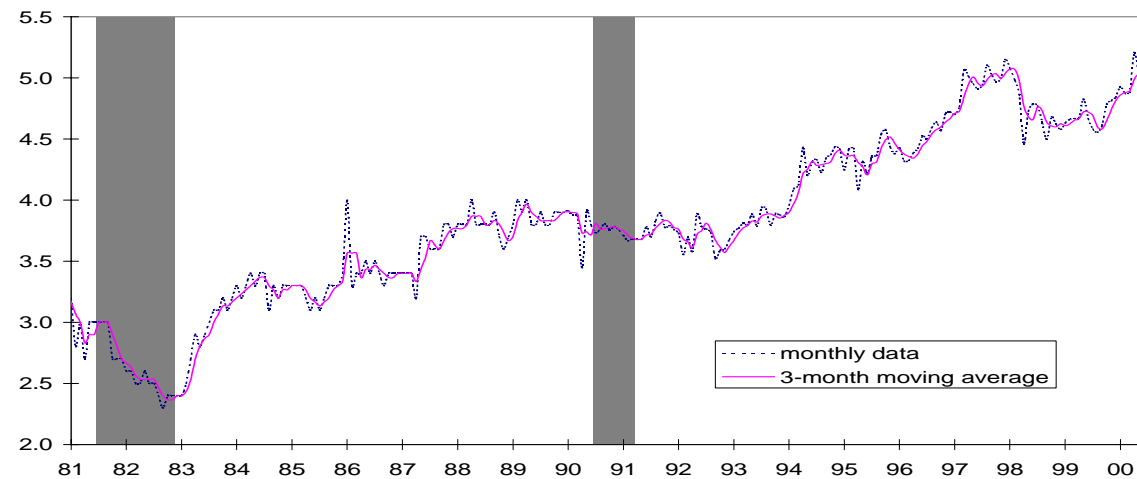
## AVERAGE WEEKLY HOURS, MANUFACTURING (SEASONALLY ADJUSTED)

— . . . —



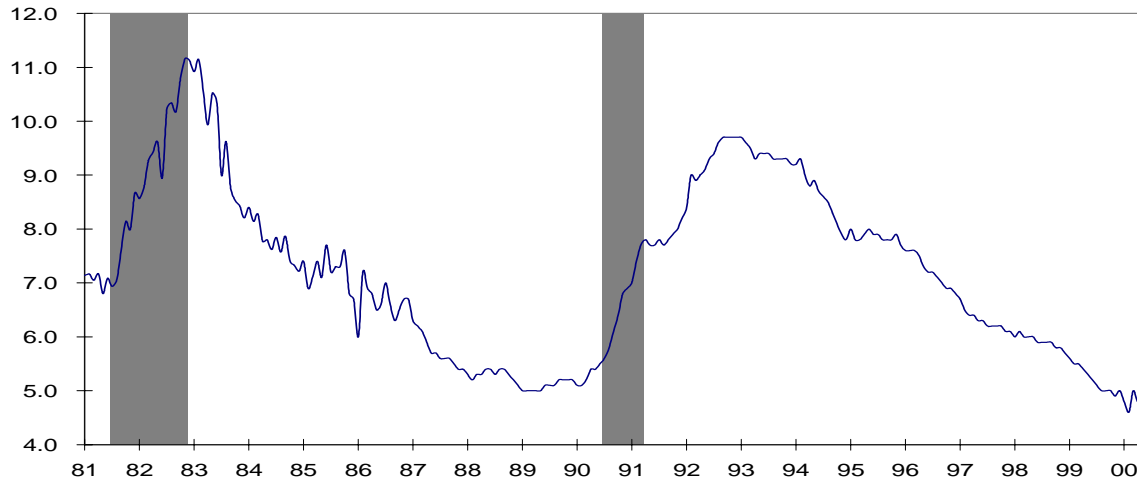
## AVERAGE OVERTIME HOURS, MANUFACTURING (SEASONALLY ADJUSTED)

— . . . —



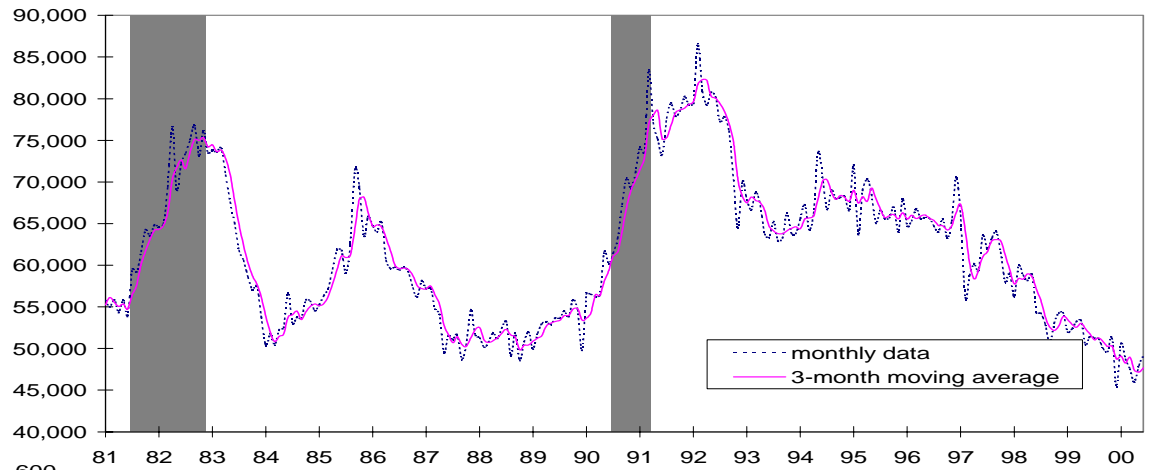
## UNEMPLOYMENT RATE (PERCENT)

— . . . —



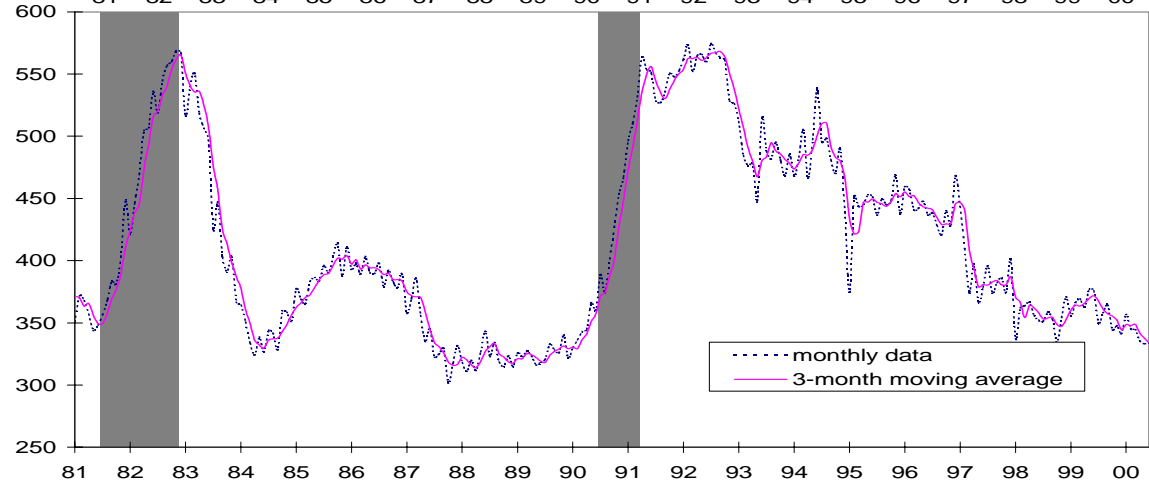
# INITIAL & TRANSITIONAL CLAIMS FOR UNEMPLOYMENT INSURANCE

(WEEKLY AVERAGE, SEASONALLY ADJUSTED)



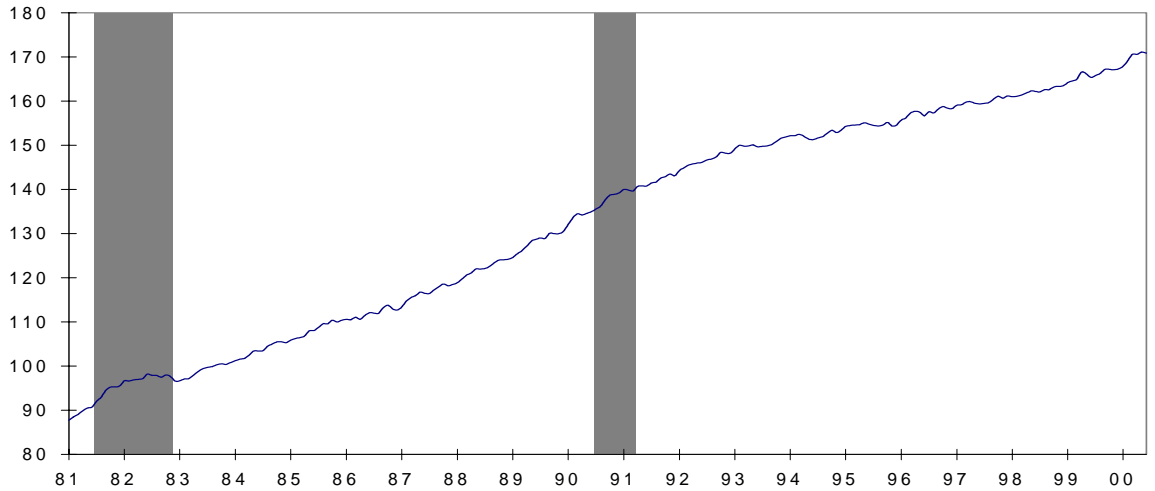
# UNEMPLOYMENT, AVERAGE WEEKS CLAIMED

(THOUSANDS, SEASONALLY ADJUSTED)



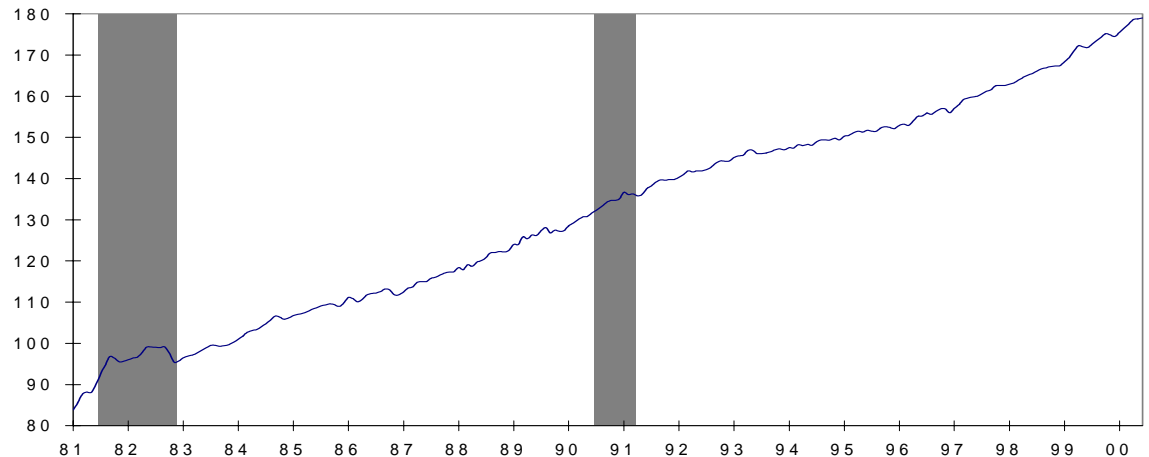
# CONSUMER PRICE INDEX, LOS ANGELES

(1982-84=100)



# CONSUMER PRICE INDEX, SAN FRANCISCO

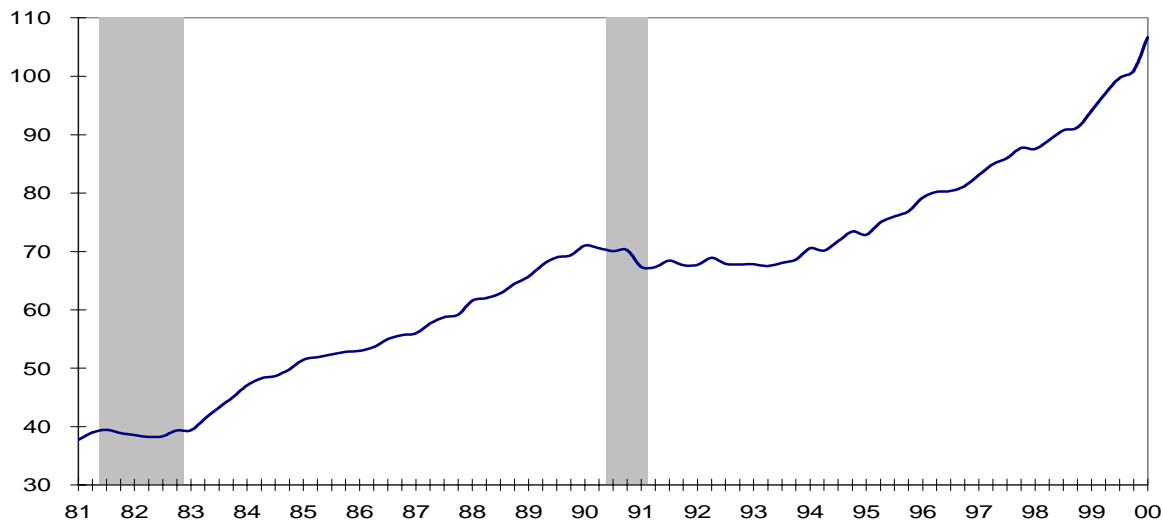
(1982-84=100)



# TAXABLE SALES

(DOLLARS IN BILLIONS,  
SEASONALLY ADJUSTED)

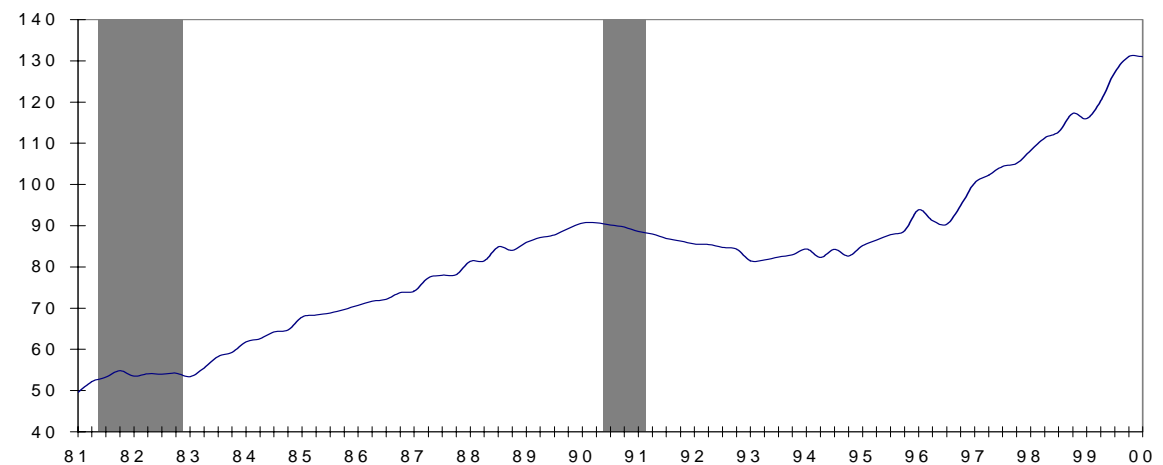
— . . . —



# WAGES AND SALARIES IN MINING, CONSTRUCTION AND MANUFACTURING

(DOLLARS IN BILLIONS,  
SEASONALLY ADJUSTED)

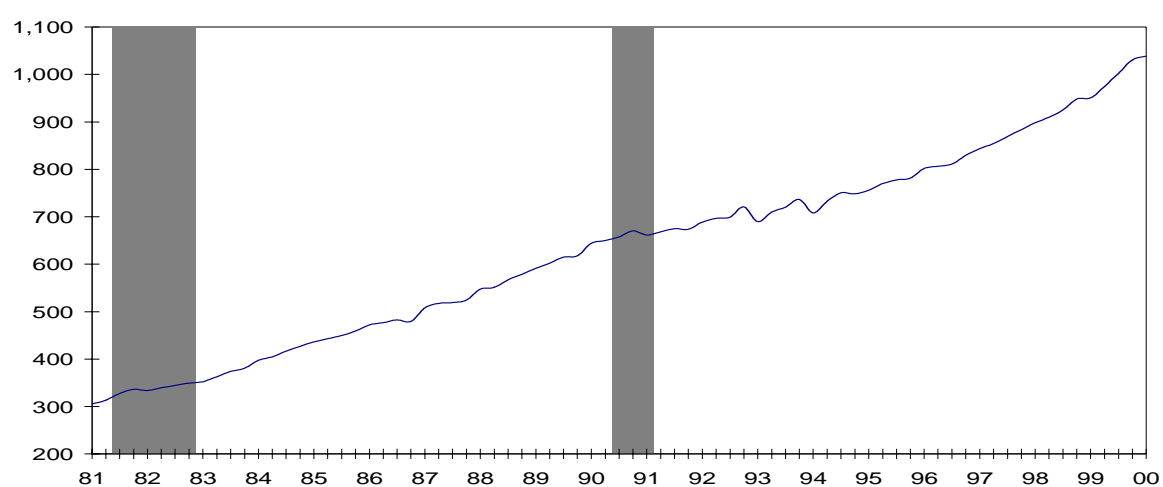
— . . . —



# PERSONAL INCOME

(DOLLARS IN BILLIONS,  
SEASONALLY ADJUSTED)

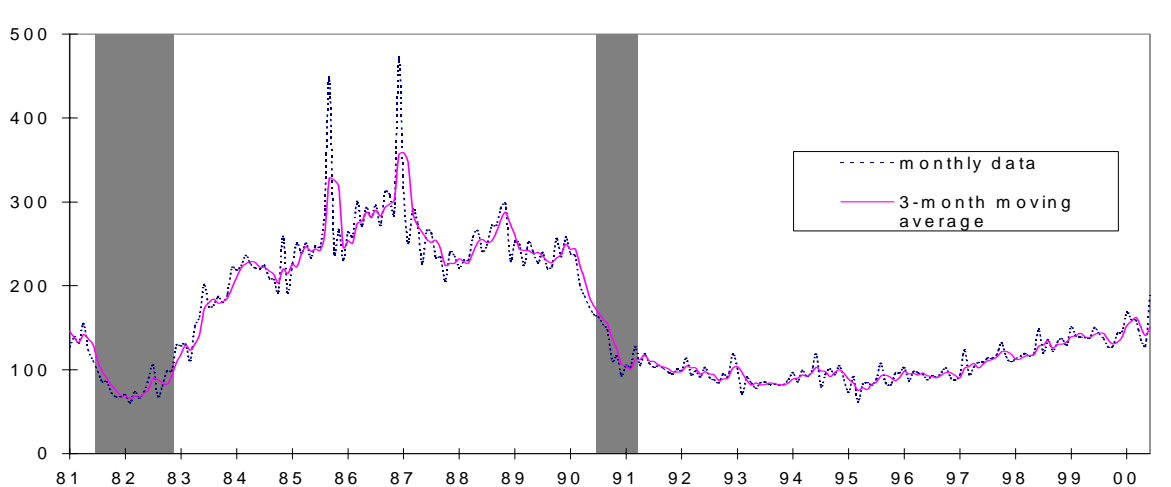
— . . . —



# NEW HOUSING UNITS AUTHORIZED BY BUILDING PERMITS

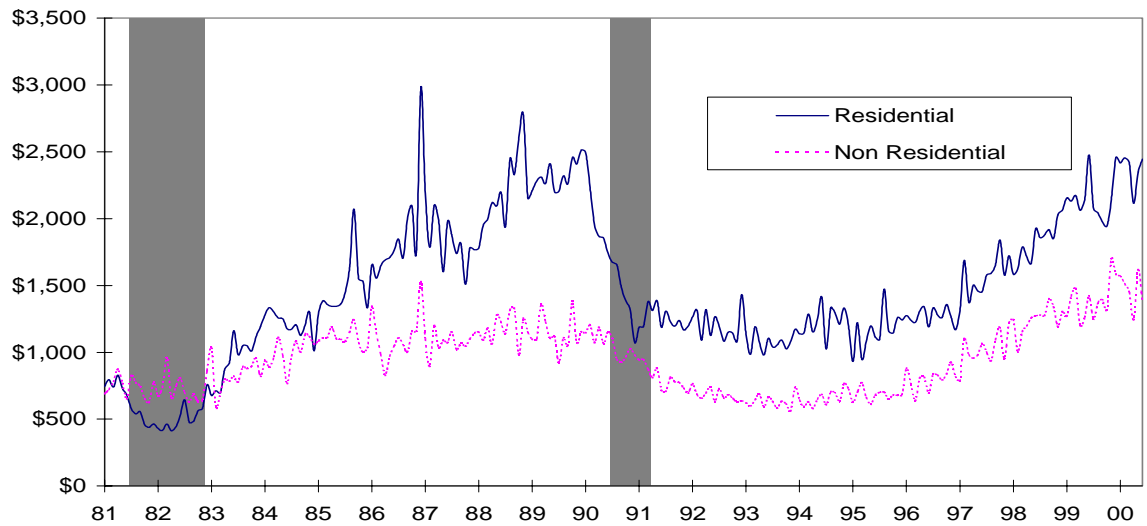
(THOUSANDS, SEASONALLY  
ADJUSTED AT ANNUAL RATE)

— . . . —



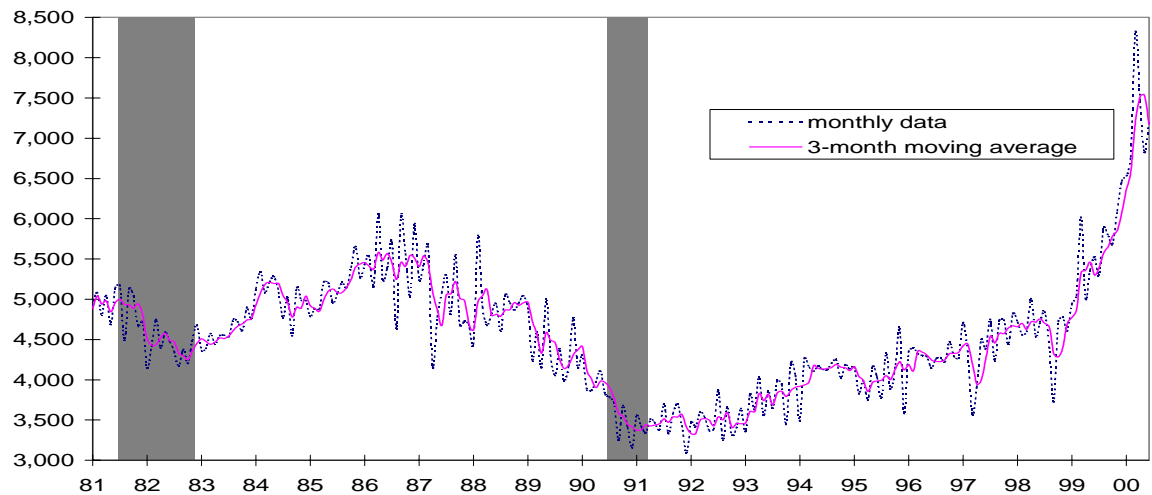
## RESIDENTIAL & NONRESIDENTIAL BUILDING PERMIT VALUATION

(DOLLARS IN MILLIONS, SEASONALLY ADJUSTED)



## NEW BUSINESS INCORPORATIONS

(SEASONALLY ADJUSTED)



## CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of event dating back to 1956 is available at the Department's home page at: <http://www.dof.ca.gov/>

1998

January 5

Bond prices surged sending the 30-year Treasury to a record low yield of 5.73 percent, while comparable government-bond yields reached their lowest levels since the 1960s.

February 2

Standard and Poor's stock index passed the 1000 milestone for the first time.

February 27

Fourth quarter 1997 GDP growth rate revised to 3.9 percent, down from an initial estimate of 4.3 percent.

March 1

California's minimum wage raised from \$5.15 to \$5.75.

Winter

El Nino-fueled storms caused widespread flooding and landslides in California. Thirty-five counties declared federal disaster areas. The State's agriculture industry estimates a flood-related loss of \$57.4 million so far.

March 19

The U.S. trade deficit for January widened to its worst level in six years.

March 20

Boeing plans to reduce approximately 6,200 jobs in California by the year 2000.

March 24

Xerox Corp. plans to cut 10,000 jobs worldwide or 11 percent of its workforce.

March 30

OPEC agreed to cut crude-oil production by 1.25 million barrels a day.

<b>April 6</b>	Dow Jones Industrial average topped the 9000 mark.
<b>April 8</b>	Tornadoes swept the South causing death and significant property damage.
<b>April 13</b>	NationsBank formally announced its merger with BankAmerica while BancOne confirmed its planned combination with First Chicago.
<b>April 14</b>	Intel announced that it will eliminate up to 3,000 jobs over the next six months.
<b>April 22</b>	National Semiconductor plans to cut its worldwide workforce by 10 percent, or about 1,400 people.
<b>May 6</b>	Compaq plans to eliminate 15,000 jobs following its purchase of Digital Equipment
<b>June 4</b>	Motorola plans to layoff 10 percent of its workforce, or about 15,000 workers.
<b>June 5-July 28</b>	United Auto Workers strike at General Motors.
<b>June 8</b>	Wells Fargo & Co. and Norwest agreed to merge.
<b>June 12</b>	California's unemployment rate fell in May to its lowest level in nearly 8 years.
<b>June 18</b>	Texas Instruments plans to eliminate 3,500 jobs worldwide, about 8 percent of its payroll.
<b>June 24</b>	OPEC agreed to cut crude-oil production by 1.4 million barrels per day. June 25 Rockwell International Corporation will cut 9 percent of its workforce, or 3,800 jobs.
<b>June 26</b>	El Niño damage to California's agricultural industry soars to \$422 million. Lockheed announced its plan to lay off 2,500 workers at Sunnyvale, California.
<b>June</b>	Japan officially declares a recession.
<b>June 29</b>	Chinese and U.S. companies signed \$1.1 billion in new business deals, including China's agreement of intent to purchase 27 Boeing Co. jetliners.
<b>July 10</b>	IMF agreed to provide Russia with an assistance package worth \$14 billion.
<b>July 16</b>	Lockheed Martin called off its proposed merger with Northrop Grumman. The Nasdaq composite edged over 2,000 for the first time.
<b>August 13</b>	Boeing to transfer selected 737 assembly processes to Long Beach, California.
<b>August 14</b>	California agriculture flourished in 1997, breaking records in both production and income NationsBank and BankAmerica merger gets federal approval.
<b>August 17</b>	Golden State Bancorp and California Federal Bank agreed to merge.
<b>August 31</b>	The Dow Jones Industrial average fell 512.61 points wiping out what remained of the year's gains. The Nasdaq Composite fell 140.43, its worst point drop ever.
<b>September 2</b>	Northwest Airlines issued layoff notices to 27,500 employees, or 55 percent of its workforce.
<b>September 15</b>	Rockwell International Corp. to eliminate around 900 jobs.
<b>September 17</b>	Citigroup expects to eliminate about 8,000 jobs by year end, or 5 percent of its workforce.
<b>September 21</b>	Russia devalues currency and restricts international transactions including debt repayments. Financial firms have lost more than \$8 billion so far in the fallout from Russia's financial collapse.
<b>September 29</b>	Federal funds rate reduced from 5.50 percent to 5.25 percent. Dow Jones Industrial average fell 237.90 points the next day.
<b>October 2</b>	California's credit rating was upgraded by Moody's Investors Service Hewlett-Packard Co. will eliminate 2,500 jobs or 2 percent of its workforce.
<b>October 6</b>	Washington Mutual Inc. will close 161 branches in California as a result of its Home Savings of America acquisition.
<b>October 7</b>	Raytheon Co. to cut workforce by 14,000.
<b>October 8</b>	Packard Bell NEC to cut U.S. workforce by 20 percent.
<b>October 12</b>	Merrill Lynch will cut work force by 3,400 or 5 percent.
<b>October 15</b>	Federal funds rate reduced from 5.25 to 5.00 percent. Discount rate reduced from 5.00 to 4.75 percent. The Dow Jones Industrial average rose to more than 330 points and led to rallies in European, Asian and Latin American stock markets. Canada and Argentina followed with rate cuts of their own.
<b>October 30</b>	Third quarter GDP jumped to an annual rate of 3.3 percent exceeding estimates.
<b>November 12</b>	Brazil reached a pact with leading countries and lenders on a \$42 billion rescue package, in a move aimed at preventing the financial crisis from spreading throughout South America.

<b>November 17</b>	Federal funds rate reduced from 5.00 to 4.75 percent. Discount rate reduced from 4.75 to 4.50 percent.
<b>December 1</b>	Exxon and Mobil confirmed their plans to merge, creating the world's largest oil producer.
<b>December 2</b>	NEC Electronics lays off about 400 workers or 13 percent of its U.S. workforce.
<b>December 9</b>	MCI WorldCom Inc. plans to layoff about 3,750 or between 3 to 5 percent of its workforce. Trans World Airlines announced its biggest plane order ever, confirming it has placed orders and options for up to 250 Airbus and Boeing jets.
<hr/> <b>1999</b> <hr/>	
<b>January 1</b>	A new reserve currency, the "euro" is introduced, creating a single market in Europe. It will be the currency of reference for the 11 countries participating in the European Monetary Union.
<b>January 13</b>	Brazil devalues its currency sending U.S. stocks into a free fall.
<b>January 21</b>	The 1998 trade deficit hit an all-time high of \$175 billion, 58 percent more than the shortfall recorded in 1997.
<b>March 22</b>	OPEC agreed to reduce crude oil production by 2.1 million barrels per day and maintain lower levels of output for a full year.
<b>March 29</b>	Dow Jones Industrial average topped the 10,000 mark.
<b>April 9</b>	The European Central Bank cut its key discount rate, for the first time, from 3.0 to 2.5 percent.
<b>June 29</b>	Federal funds rate raised from 4.75 to 5.00 percent.
<b>July 28</b>	GDP rose 2.3 percent in second quarter.
<b>August 24</b>	Federal funds rate raised from 5.00 to 5.25 percent. Discount rate raised from 4.50 to 4.75 percent.
<b>September 21</b>	A 7.6 magnitude earthquake hits Taiwan.
<b>September 30</b>	In 1998, the US poverty rate fell to its lowest in 20 years at 12.7 percent. Real median household income hit a record 3.5 percent growth surpassing its pre-recessionary peak in 1989, and for the first time since 1975, all four US regions experienced significant increases.
<b>September 30</b>	Second quarter GDP growth rate revised to 1.6 percent, the smallest gain in four years.
<b>October 4</b>	MCI WorldCom to buy Sprint.
<b>October 13</b>	Producer Price Index for finished goods jumped 1.1 percent in September, the largest monthly increase in 9 years.
<b>October 15</b>	California's unemployment rate dropped to 4.9 percent, the lowest since 1969.
<b>October 27</b>	GDP for third quarter grew at 4.8 percent, 2 <sup>nd</sup> quarter growth rate was revised upward to 1.9 percent from the original 1.6 percent.
<b>November 1</b>	Dow Jones & Co. added the technology leaders Microsoft and Intel as well as two other issues, to its industrial average, the first time that Nasdaq stocks have been included. It also dropped four companies that have been components for most of the 20 <sup>th</sup> century.
<b>November 2</b>	Nasdaq closed above the 3000 mark for the first time. Packard Bell says it will end its computer manufacturing business, close its Sacramento plant, and lay off 80 percent of its US workforce.
<b>November 16</b>	Federal funds rate raised from 5.25 to 5.50 percent. Discount rate raised from 4.75 to 5.00 percent.
<b>November 17</b>	Crude-oil futures hit an almost nine-year high, rising 90 cents to \$26.60 a barrel.
<b>November 24</b>	Third quarter GDP grew at an annual rate of 5.5 percent, well above previous estimates.
<b>November 30</b>	Exxon and Mobil merger approved by federal regulators.
<b>December 2</b>	The euro fell to parity with the dollar for the first time since its launch in January as Europe's common currency.
<b>December 17</b>	Pharmacia and Monsanto agreed to merge.
<b>December 22</b>	Third quarter GDP rose at 5.7 percent annual pace, above the previous estimate of 5.5 percent.
<b>December 29</b>	Nasdaq closed above the 4000 mark for the first time.

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## 2000

**January 27**

Fourth quarter GDP grew at an annual rate of 5.8 percent.

**February 2**

Federal funds rate raised from 5.50 percent to 5.75 percent.

Discount rate raised from 5.00 percent to 5.25 percent.

**February 4**

The nation's jobless rate at 4 percent is lowest in 3 decades.

**February 7**

Pfizer Inc. and Warner-Lambert Co complete merger deal.

**March 20**

Boeing Co. engineers and technical workers returned to work after a 40-day strike ending one of the biggest white-collar walkouts in US history.

Crude oil prices drop below \$30 a barrel.

**March 21**

Federal funds rate raised from 5.75 percent to 6.0 percent.

**March 30**

Discount rate raised from 5.25 percent to 5.50 percent.

GDP growth rate for 4<sup>th</sup> quarter was revised upward to 7.3 percent, its strongest pace since 1984.

**April 7**

President Clinton signed into law a bill allowing older Americans to work without losing any of their Social Security benefits.

**April 10**

Wells Fargo & Co agreed to acquire First Security Corporation of Utah.

**April 27**

First quarter GDP grew at an annual rate of 5.4 percent with consumer spending jumping 8.3 percent, the sharpest gain in more than 17 years.

Employment cost index jumped 1.4 percent in the first quarter, the sharpest increase in 11 years.

**May 16**

Federal funds rate raised from 6.0 percent to 6.5 percent.

Discount rate raised from 5.5 percent to 6.0 percent.

**June 29**

GDP 1<sup>st</sup> quarter growth rate revised from 5.4 to 5.5 percent.

**July 28**

GDP 2<sup>nd</sup> quarter grew at an annual rate of 5.2 percent.